REEBOK INTERNATIONAL LTD.

v.

ROYAL CORP.

HIGH COURT, SINGAPORE
CHAO HICK TIN JC
[SUIT NO. 1685 OF 1988]
11 NOVEMBER 1988

CIVIL PROCEDURE: *Res Judicata - Plea of issue estoppel - Governing principles - Whether essential conditions are present for plea to succeed - Burden of proof.*

A firm of private investigators, acting on behalf of the plaintiffs, lodged various complaints against Rising Sports Pte. Ltd. for alleged infringement under s. 73 of the Trade Marks Act of Reebok Shoes.

As a result search warrants were issued in respect of six containers in which the shoes were imported and against the premises of Rising Sports.

It later became evident that the shoes belonged to Royal Corporation, the defendant in the present proceedings.

By Criminal Motion No. 24 of 1988, both Rising Sports & Royal Corporation applied to the High Court to remove the proceedings to the High Court.

The High Court ordered that the search warrants be quashed that the documents seized and the contents of the containers be released as no offence under s. 73 of the Trademarks Act was disclosed. On 23 August 1988, the plaintiff instituted the present proceedings against Royal Corporation for infringement of the plaintiff's trademark.

The plaintiff further, sought and was granted an interim injunction against the defendant.

The application by the defendant to dissolve the interim injunction was now before the Court and the defendant raised the plea of *res judicata* or issue estoppel as a preliminary point of law.

Held:

[1] The defendant has failed to satisfy the Court that the essential conditions were present to raise a plea of *res judicata* i.e.

(i) that there was a final judgment or decision

(ii) that there must be an identity of subject matter

(iii) that there was an identity of parties.

Accordingly the Court held that there was no merit on the plea of *res judicata* or issue estoppel and that there was nothing to preclude the plaintiff from commencing the present suit.

[Order accordingly.]

Cases referred to:

Carl-Zeiss Stiftung v. Rayner (No. 2) [1966] 2 All ER 536
Fidelites Shipping Co. Ltd. v. v/o Exportchelb [1966] 1 QB 630
Hunter v. Chief Constable [1982] AC 529

Hollington v. Hewthorn [1943] KB 587
Reichel v. Magrath [1889] 14 AC 665

Legislation referred to:
Trade Marks Act (Cap 332) [Sing], ss. 45, 73

For the plaintiff - Koh Kok Wah (Pamela Chong with him) M/s. Arthur Loke & Partners with David Young
For the defendant - Roy Sharma (N. S. Kang with him) M/s. N. S. Kang

JUDGMENT

Chao Hick Tin JC:

In July 1988, various complaints were made to the Magistrate by members of a firm of private investigators alleging that Rising Sports Pte Ltd. (Rising Sports) of No. 1, North Bridge Road, 17-08, High Street Centre, Singapore 0617 had imported six containers of counterfeit "Reebok" shoes for sale in Singapore, thereby committing an offence under s. 73 of the Trade Marks Act. As a result, six search warrants were issued in respect of the six containers and two search warrants were issued against the premises of Rising Sport. In laying the complaints under the Criminal Procedure Code, the firm of private investigators acted on behalf of Reebok International Limited, the plaintiff in the present action.

By Criminal Motion No. 24 of 1988 (CM 24/88) Rising Sports and Royal Corporation (a Japanese corporation having its place of business in Nagoya, Japan and the defendant in the present action) applied to the High Court that the record of the Subordinate Courts relating to the above search warrants be removed to the High Court and that the High Court do give to the Subordinate Courts the following directions:

(i) the complaints based on which the said search warrants were issued be at once dismissed as disclosing no offence under s. 73 of the Trade Marks Act (Cap 332);

(ii) the said search warrants be quashed;

(iii) the "Reebok" shoes or products and documents seized thereunder be released to their rightful owners, the applicants respectively; and

(iv) such other directions as justice may require.

At the hearing of CM 24/88 on 15 and 22 August 1988, there was incontrovertible evidence that Rising Sports did not import the six containers of "Reebok" shoes and that the shoes belongs to Royal Corporation, the defendant herein. In an affidavit filed therein on behalf of Rising Sports and Royal Corporation it was, *inter alia*, stated that:

> 12. The above document shows no doubt that (Rising Sports) was merely a notifying party and were not themselves the importers. It also shows that at no time did (Rising Sports) have possession of nor control over the goods. As such, (Rising Sports) have not committed any offence whether punishable under s. 73 of the Trade Marks Act or at all. The allegations raised in the complaints of the various complainants are therefore false.
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> 13. It is clear from the above that the complainants who purport to be from a firm of professional investigators had not conducted proper and thorough investigations before lodging a complaint before the learned Magistrate where they accused (Rising Sports) for having committed a criminal offence in telling half-truth and outright falsehoods. They have misrepresented to the learned Magistrate who in good faith relied upon the information provided and issued the warrants.

The President of Royal Corporation, one Iwao Nakane, has affirmed in a statutory declaration that the "Reebok" shoes belong to him. He explained in this way why the shoes have come to Singapore. Around April/May 1988, Royal Corporation was over-stocked with shoes. Storage space was expensive in Japan. From their inquiries it was much cheaper to ship the goods from Nagoya to Singapore and then back to Nagoya and to take advantage of the 28-days free storage offered by PSA for transhipment goods. Accordingly, Royal Corporation instructed its Carrier "K-Line" to ship the six containers of shoes to Singapore and later to ship them back to Japan. These assertions were not disputed at the hearing of the criminal motion at which the public prosecutor authorised the Counsel for the plaintiff herein to act and argue for the respondent in that motion.

From the written submission of the respondent in CM 24/88 it is clear that there was only one main issue before the Court and I would quote from it:

> The sole issue before this Honourable Court is whether there has been any impropriety in obtaining the search warrants the subject of this motion and if so, whether such impropriety or irregularity has resulted in a failure of justice to nullify the seizure of the offending goods.

However, in the course of the hearing, extensive arguments were also made by Counsel for the public prosecutor on the interpretation of s. 73, particularly the word "imports". At the conclusion of the hearing the High Court ordered that:

1. the complaints based on which the said search warrants were issued be at once dismissed as disclosing no offence under s. 73 of the Trade Marks Act (Chapter 332);
2. that the said search warrants be quashed;
3. that the documents seized from the office of the 1st applicant to be released and returned to the 1st applicant;
4. the 6 containers and their contents to be released to the carriers "K-Line" and they are to be shipped back to Japan on the first available ship.

Application for a stay of execution was also refused.

On 23 August 1988, following the quashing of the search warrants, Reebok International Limited, the plaintiff herein, instituted the present suit against Royal Corporation for infringement of the plaintiff's trade mark "Reebok" bearing registration No. 3262/84 in class 25 in respect of articles of sports, clothing and footwear. Under "particulars" in the statement of claim filed herein, the same six containers of shoes are referred to. On an *ex-parte* summons-in-chambers filed on the same day, an interim injunction was granted in favour of the plaintiff. On 1 September 1988, the defendant applied by summons-in-chambers to have the interim injunction dissolved and for damages to be assessed.

The application to dissolve the interim injunction is now before me. Counsel for the defendant raised a preliminary point of law for the determination of this Court. It is the plea of *res judicata* or issue estoppel or abuse of the process of the Court.

In the amended defence filed to this suit, the defendant avers:

> 6. Further or in the alternative on the ground of *res judicata* and or issue of estoppel the issues in this action have been determined and adjudicated upon in Criminal Motion No. 24 of 1988 in the High Court of the Republic of Singapore and therefore the same is frivolous and vexatious and an abuse of the process of the Court.

In the reply to this specific point, the plaintiff pleads:

> 4. The plaintiff refers to para. 6 of the amended defence and say that the plaintiff is not a party to the said Criminal Motion No. 24 of 1988. In any event, the plaintiff says that the issues herein were never argued in nor adjudicated upon by the said Criminal Motion No. 24 of 1988. Criminal Motion No. 24 of 1988 relates solely to the question of whether search warrants obtained on the grounds that a Rising Sports Pte Ltd. had committed an offence under the Trade Marks Act ought to be quashed.

The origin of the doctrine of *res judicata*, and the subsequent development of the principle of "issue estoppel" were succinctly dealt with by Lord Guest in *Carl-Zeiss Stiftung v. Rayner (No. 2)* [1966] 2 All ER 536 as follows:

> The doctrine of estoppel *per rem judicatam* is reflected in two Latin Maxims, (i) *interest rei publicae ut sit finis litium* and, (ii) *nemo debet bis vexare pro una et eadem causa*. The former is public policy and the latter is private justice. The rule of estoppel by *res judicata*, which is a rule of evidence, is that where a final decision has been pronounced by a judicial tribunal of competent jurisdiction over the parties to and the subject matter of the litigation, any party or privy to such litigation as against any other party or privy is estopped in any subsequent litigation from disputing or questioning such decision on the merits (Spencer Bower on *Res Judicata*, p. 3)
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> As originally categorised, *res judicata* was known as "estoppel by record". But as it is now quite immaterial whether the judicial decision is pronounced by a tribunal which is required to keep a written record of its decisions, this nomenclature has disappeared and it may be convenient to describe *res judicata* in its true and original form as "cause of action estoppel". This has long been recognised as operating as a complete bar if the necessary conditions are present. Within recent years the principle has developed so as to extend to what is now described as "issue estoppel", that is to say where in a judicial decision between the same parties some issue which was in controversy between the parties and was incidental to the main decision has been decided, then that may create an estoppel *per rem judicatam*...

The principles governing *res judicata* and issue estoppel are stated in this way by Lord Denning in *Fidelites Shipping Co Ltd. v. v/o Exportchelb* [1966] 1 QB 630.

> The law, as I understand it is this: if one party brings an action against another for a particular cause and judgment is given upon it, there is a strict rule of law that he cannot bring another action against the same party **for the same cause**. *Transit* in *rem judicatam*: see *King v. Hoare*. But within one cause of action there may be several issues raised which are necessary for the determination of the whole case. The rule then is that, once an issue has been raised and **distinctly determined between the parties**, then, as a general rule, neither party can be allowed to fight that issue all over again. (emphasis added).

Three essential conditions must therefore be present before this plea can be successfully raised. First, there must have been a final judgment or decision; second, there must be an identity of subject-matter or issue in the former and in the present litigation; and third, there must be identity of parties.

I will now examine whether in relation to the present suit by the plaintiff, the three conditions are satisfied. There is no dispute that in so far as the matter prayed for in CM 24/88 is concerned, a final judgment was given by the High Court on 22 July 1988 to quash the search warrants because the complaints disclosed no offence, followed by two consequential orders to return the documents and shoes seized to the righrful owners. The arguments of both Counsel before me centered on whether the second and third conditions are satisfied.

I will next deal with the second condition: identity of subject matter. It is clear that what the Court was asked to decide in CM 24/88 was whether the complaints, as set out above, disclosed an offence under s. 73. The complaints were against Rising Sports, which was alleged to be the importer. However, as indicated above, evidence was placed before the Court that Rising Sports was not the importer at all. Arguments had no doubt also been submitted on the interpretation of s. 73. It seems clear to me that what the learned Judge had decided was that, based on the complaints and the facts before him, no offence under s. 73 had been committed by Rising Sports. But the record does not show under which precise grounds the learned Judge had so decided. Further, there is nothing to indicate that the learned Judge in the CM 24/88 had also decided that no offence had been committed by the defendant. Counsel for the defendant seems to argue that the learned Judge must be taken to have so decided because the defendant had added itself as an applicant to CM 24/88. It seems plain to me that that was not and could not be the issue before the Court as the complaints were not against the defendant. The arguments here of the defendant are very tenuous indeed. As Lord Denning indicated in *Fidelities Shipping,* for the plea of *res judicata* or issue estoppel to be successfully raised, the subject matter of the issue must have been "distinctly determined between the parties." Other than that the complaints against Rising Sports could not stand, and the search warrants issued pursuant thereto had to be quashed, I do not think anything more could or should be read into the order of 22 July 1988.

An alternative argument raised by Counsel for the plaintiff in relation to the second condition is this. Even assuming that the Court did in CM 24/88 decide that the defendant had not committed an offence under s. 73 when it had the shoes brought into Singapore, that in no way means that the plaintiff is precluded from instituting a civil action to protect its rights as the proprietor of the trade mark "Reebok". Both are entirely different subject-matters. I accept this argument. A simple illustration will bear this out. A person who is acquitted of a criminal charge in relation to a motor accident or an assault may still be sued in a civil claim. The reason should be apparent: the ingredients constituting a criminal offence are different from those of a civil claim. There is of course the additional point on burden of proof which will be dealt with below. In relation to the present case, what constitutes an offence is set out in s. 73 and under that section, proof of innocence as to the infringement is a defence. On the other hand, the rights of a proprietor of a registered trade mark are set out in s. 45. A prosecution under s. 73 and a civil action to protect the rights of a trademark proprietor are not coterminous.

A further alternative ground submitted by Counsel for the plaintiff is that the burden of proof in a civil claim is different from a criminal case. Thus, there cannot be any estoppel. Counsel for the defendant referred to the case *Hunter v. Chief Constable* [1982] AC 529 where the House of Lords held that where a final decision had been made by a criminal Court of competent jurisdiction it was a general rule of public policy that the use of a civil action to initiate a collateral attack on that decision was an abuse of the process of the Court.

But the question of different standards of proof is clearly a material consideration and this is borne out by what Lord Diplock said in *Hunter* at p. 542-3:

> ... this is the first case to be reported in which the final decision against which it is sought to initiate a collateral attack by means of a civil action has been a final decision reached by a Court of criminal jurisdiction. This raises a possible complication that the onus of proof of facts that lies upon the prosecution in criminal proceedings is higher than that required of parties to civil proceedings who seek in those proceedings to prove facts on which they rely.

> **Thus, a decision in a criminal case upon a particular question in favour of a defendant, whether by way of acquittal or a ruling on a *voir dire*, is not inconsistent with the fact that the decision would have been against him if all that were required were the civil standard of proof on the balance of probabilities.** This is why acquittals were not made admissible in evidence in civil actions by the Civil Evidence Act 1968. In contrast to this a decision on a particular question against a defendant in a criminal case, such as Bridge J's ruling on the *voir dire* in the murder trial, is reached upon the higher criminal standard of proof beyond all reasonable doubt and is wholly inconsistent with any possibility that the decision would not have been against him if the same question had fallen to be decided in civil proceedings instead of criminal. (emphasis added).

In passing I should add that his Lordships in *Hunter* were also of the view that "it would be best, in order to avoid confusion if the use of the description 'issue estoppel' in English law at any rate -...- were restricted to be specie of estoppel *per rem judicatam* that may arise in civil actions between the same parties or their privies ...".

Putting it at the highest and even assuming that the order of 22 July 1988 amounted to an acquittal of the defendant of a criminal charge under s. 73, I do not see how the institution of the present civil action, where different standards of proof prevails, is an abuse of the process of the Court, or could give rise to a plea of "issue estoppel". This is not comparing like with like. The acquittal will be quite irrelevant in a civil action.

For all the above reasons, the condition of an identity of subject matter or issue is clearly not satisfied in the present case.

As regards the third condition, the point in the present context really boils down to this: can the plaintiff be considered to be a privy to the public prosecutor in CM 24/88? Admittedly, the search warrants were issued by the Magistrate on complaints of private investigators who were specifically engaged by the plaintiff for the purpose. There is considerable force in the contention that the complaints must be treated as having been made by the plaintiff.

The public prosecutor was the respondent in CM 24/88. In pursuance of s. 336(4) of the Criminal Procedure Code, the public prosecutor authorized Mr. Alban Kang Choon Hwee and/or Mr. Tan Woon Tiang, Counsel for the plaintiff, to act for the public prosecutor at the hearing of the criminal motion. Counsel for the defendant submitted that as the complaints were made by agents of the plaintiff and as Counsel for the plaintiff were appointed by the public prosecutor to act for the public prosecutor in the criminal motion, those facts render the plaintiff a privy to the criminal motion.

Now, there are three classes of privies - privies in blood; privies in law; and privies in estate: see *Halsbury's Laws of England*, 4th Ed., Vol. 16, para. 1543. The plaintiff cannot by any stretch of the imagination be considered to be a privy in blood or privy in law to the public prosecutor. To establish privy in estate, besides having to show that the privy and a party have a similar interest, the privy must also be shown to have derived title from the party. Examples of a privy in estate are testator and devisee, vendor and purchaser and lessor and lessee. I have grave doubts whether the plaintiff could be considered to be a privy in estate to the public prosecutor in the criminal motion. Indeed, I do not think the concept of privies applies in criminal proceedings, though in appropriate circumstances as in *Hunter*, a civil action could be struck out on the ground that it is an abuse of the process of the Court. Of course *Hunter* was decided on the basis of the English Civil Evidence Act 1968 which overruled the decision in *Hollington v. Hewthorn* [1943] KB 587: non admissibility of conviction in subsequent civil action. Fortunately, in view of what I hold in regard to the second condition, there is no need for me to rule on this point. Suffice it to say that I would be

disinclined to hold that the plaintiff was such a privy. It must be borne in mind that the public prosecutor was at all times in total control of the matter and could intervene at any stage of the proceedings or take over the proceedings or give instructions to the Counsel. Speaking from the Bar, Counsel for the defendant informed me that due to various reasons, perhaps manpower constraints, the police have, in practice, left the investigations of alleged infringements of intellectual property rights to the aggrieved party and the public prosecutor has invariably authorized Counsel for the aggrieved party to act and appear for the public prosecutor in criminal proceedings instituted thereby. But I do not see how this practice affects the legal position that the Counsel so authorized is the mouthpiece of the public prosecutor and not of the individual complainant.

One final point: the plaintiff through its Counsel requested the public prosecutor to appeal against the decision in CM 24/88. The public prosecutor, however, refused. The matter ended there.

Accordingly, on the preliminary point of law, I have to rule that there is no merit on the plea of *res judicata* or issue estoppel and that there is nothing to preclude the plaintiff from commencing the present suit. Neither does the commencement of such an action amount to an abuse of the process of the Court. Nothing in the circumstances of the present action comes near to what Lord Halsbury said in *Reichel v. Magrath* [1889] 14 AC 665:

> I think it would be a scandal to the administration of justice if, the same question having been disposed of by one case, the litigant were to be permitted by changing the form of the proceedings to set up the same case again.

Also found at [1989] 1 CLJ 581